

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of

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Access Charge Reform Tariff Filings

97-249

97-250

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

REPLY COMMENTS  
OF  
ALIAN T COMMUNICATIONS CO.

Aliant Communications Co. ("Aliant"), by its attorneys, hereby submits its Reply Comments addressing the comments filed by Sprint Communications Company ("Sprint"), MCI Telecommunications Corporation ("MCI"), and AT&T Corp. ("AT&T") in the above captioned proceeding.<sup>1</sup> On November 26, 1997, Aliant filed its Tariff Review Plan to support the tariff revisions that will be filed on December 17, 1997 (to be effective January 1, 1998), and to implement the first state of access charge reform. In this Reply, Aliant demonstrates that it correctly implemented the rules the Commission adopted in its Access Charge Reform Proceeding.<sup>2</sup>

Sprint claims that the LECs' access reform tariffs should clearly state that the PICC does not apply to enhanced service provider ("ESP") lines.<sup>3</sup> Sprint cites ¶345 of the Access Reform Order, stating that the Commission decided to continue the exemption of ESP lines from access charges.

<sup>1</sup> *Support Material for Carriers to File to Implement Access Charge Reform Effective January 1, 1998*, DA 97-2345, *Tariff Review Plans* (November 6, 1997).

<sup>2</sup> *Access Charge Reform, et. al.*, CC Docket No. 96-262, *et. al.*, *First Report and Order*, FCC 97-158 (rel. May 16, 1997); *Errata* (rel. June 4, 1997); *Order on Reconsideration*, 12 FCC Rcd 10119 (rel. July 10, 1997) (*First Reconsideration Order*); *Order on Reconsideration*, FCC 97-368 (rel. Oct. 9, 1997) (*Second Reconsideration Order*) ("Access Reform Order").

<sup>3</sup> Sprint Comments at 2.

Accordingly, Sprint believes that LECs should not be allowed to access the flat-rated PICC on ESP lines.

The Commission noted that the current pricing structure for ESPs should remain in place.<sup>4</sup> Under the Commission's rules, ESPs are treated as end users for purposes of applying access charges and, therefore, should continue to use local business lines for access for which they pay end user rates.<sup>5</sup> The PICC, like the EUCL, is a per-line charge, which may be recovered from the end user, when applying the corresponding types of lines for which EUCL charges apply.<sup>6</sup> The Commission should, therefore, reject Sprint's claim, as the PICC should be applied similarly to all end user customers, including ESPs. Consequently, LECs should be allowed to access the flat-rated PICC on all ESP lines.

AT&T believes that the price cap LECs use regarding cost models, such as SCIS and SCM, are inappropriate.<sup>7</sup> MCI states that the LECs' switch port cost studies are based on proprietary cost models, such as SCIS, and any tariff filings based on this cost support should be suspended.<sup>8</sup> AT&T also states that the LECs should be required to justify and document, by switch type and manufacturer, the investments that were included in the line port cost.<sup>9</sup>

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<sup>4</sup> *Access Charge Reform, First Report and Order* at ¶ 344.

<sup>5</sup> *See* 47 C.F.R. § 69.2(m); *see also In the Matter of Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers*, CC Docket No. 87-215, 3 FCC Rcd 2631 at n. 53 (1988).

<sup>6</sup> *See* 47 C.F.R. § 69.153(b).

<sup>7</sup> AT&T Comments at 6.

<sup>8</sup> MCI Comments at 3.

<sup>9</sup> AT&T Comments at 10.

In calculating the exogenous change for Line Ports, Aliant used an actual count of line cards, by type and booked value.<sup>10</sup> Aliant compared these line port costs to the costs calculated using SCIS and found a de minimis difference. Aliant used SCIS in the development of the tandem trunk port costs, as this was the available source. Based on Aliant's analysis of actual line port costs to line port costs developed using SCIS, Aliant is confident that the use of SCIS in the development of the tandem trunk ports costs is correct, and the Commission should reject the claims of AT&T and MCI.<sup>11</sup> Lastly, while Aliant possesses line port cost information by switch type and manufacturer, it is considered proprietary information. The Commission should not require LECs to submit this data.

MCI states that it is unsure whether the demand for tandem trunk ports used in the computation of tandem trunk port revenue requirement reflects only interstate demand.<sup>12</sup> In response to MCI's uncertainty, Aliant notes that it used an actual count of interstate tandem trunks in the computation of the tandem trunk port revenue requirement. This will be reflected in Aliant's D&J, December 17, 1997 filing.

MCI believes that the Commission should ensure that any STP revenue requirement computed by the LECs excludes the costs associated with STP ports.<sup>13</sup> Aliant notes that it excluded

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<sup>10</sup> Aliant, D&J, November 26, 1997 filing at 9.

<sup>11</sup> Aliant notes that in the ONA proceeding, the Commission examined SCIS and found it to be reliable.

<sup>12</sup> MCI Comments at 9.

<sup>13</sup> MCI Comments at 10.

the costs associated with STP ports in the development of the STP revenue requirement and exogenous adjustment.<sup>14</sup>

In its Comments, MCI states that several LECs are moving money back into the residual TIC as a result of recalculating their tandem switched transport rates based on actual minutes of use.<sup>15</sup> MCI also claims that the primary reason for the divergence from the Commission's expectations is that the LECs are now claiming that their earlier statements to the Commission concerning MOU/trunk were incorrect. Similarly, AT&T addresses the actual minutes of use issue.<sup>16</sup> AT&T states that the LECs are free to reduce their common transport rates, but should not be permitted to do so at the expense of increasing the TIC. MCI also believes that the inclusion of intrastate minutes of use in the calculation of average minutes of use per trunk is inappropriate.<sup>17</sup>

MCI's claim regarding the reasons for divergence, based on LECs changing their earlier statements, does not apply to Aliant. Aliant has not made any earlier statement to the Commission regarding actual minutes of use per trunk. AT&T's comment concerning the LECs' freedom to reduce common transport rates is incorrect in this context, as LECs were required to develop common transport rates according to the methodology in the Access Charge Reform Order. Aliant properly developed its reinitialized common transport rates and exogenous change in compliance with the methodology provided in ¶208 of the Access Charge Reform Order,<sup>18</sup> which directed the

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<sup>14</sup> Aliant, EXG-STP, November 26, 1997 filing.

<sup>15</sup> MCI Comments at 12.

<sup>16</sup> AT&T Comments at 18.

<sup>17</sup> MCI Comments at 13.

<sup>18</sup> Aliant, EXG-TST, November 26<sup>th</sup> filing.

LECs to use actual minutes of use. The result of the Commission's methodology implies that customers purchasing common transport have subsidized customers purchasing direct transport in the past.<sup>19</sup> As such, the Commission's methodology eliminates an implicit subsidy of access. The Commission should, therefore, reject AT&T and MCI's claims.

Furthermore, Aliant does not segregate its trunks by jurisdiction. In calculating the usage per trunk, it is necessary to include all usage. It is mathematically inaccurate to argue that only interstate minutes should be included when using trunks not segregated by jurisdiction.<sup>20</sup> The Commission should reject MCI's statement.

AT&T claims that Aliant did not remove the EOS/STP SS7 Link and marketing in the TIC recalculation workpapers.<sup>21</sup> AT&T also claims that Aliant erred by not identifying what portion of the new recalculated TIC was facilities-based, including the remaining two-thirds of the tandem switch reallocation and the unitary transport restructure to be included in the supplemental TIC.<sup>22</sup>

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<sup>19</sup> Customers purchasing common transport, charged common transport rates plus the TIC, have paid higher common transport rates, effectively subsidizing the TIC. Customers purchasing direct transport, charged direct transport rates plus the TIC, have received the benefit of a reduced TIC.

<sup>20</sup> If an LEC were to use interstate minutes only, it would be mathematically appropriate to use interstate trunks only. To obtain an interstate trunk count, the total trunk count is apportioned between interstate and intrastate using a ratio of interstate minutes to total minutes. The following equation

results:  $\frac{\text{Interstate Minutes of Use}}{\text{Total Minutes of Use}}$ , and is mathematically equivalent to

$$\frac{\left( \frac{\text{Interstate Minutes of Use}}{\text{Total Minutes of Use}} \right) * \text{Total Trunks}}{\text{Total Minutes of Use}}.$$

*Total Trunks*

MCI's claim that only interstate minutes should be included when using trunks not segregated by jurisdiction, total trunks, is inaccurate. However, when an adjustment is made to calculate interstate trunks, as explained above, the use of only interstate minutes of use is exactly equal to the result obtained with total minutes of use.

<sup>21</sup> AT&T Comments at 30.

<sup>22</sup> Id.

AT&T also believes that Aliant failed to perform Delta Z calculations for excessive targeted TIC dollars.<sup>23</sup>

Aliant noted that it has removed EOS/STP SS7 Link costs. This is listed as "SS7 Link Costs."<sup>24</sup> However, Aliant recognizes that it did not target any marketing expense to the TIC. This error will be corrected in Aliant's December 17, 1997 filing. Aliant has no impact due to unitary transport restructure, as Aliant has only collocated IXC points of presence. This will also be noted in Aliant's December 17, 1997 filing.<sup>25</sup> Aliant did identify, but did not demonstrate, what portion of the recalculated TIC was facilities-based related to the unitary transport restructure. Aliant also identified, and demonstrated, what portion of the recalculated TIC was facilities-based related to the tandem switch reallocation, to be reallocated in equal parts January 1, 1999, and January 1, 2000.<sup>26</sup> Aliant's unitary transport restructure amount, of zero, is implicitly included and the remaining two-thirds of the tandem switching reallocation is included in the calculation of an excess targeting exogenous adjustment of zero.<sup>27</sup> AT&T's claim that Aliant has failed to perform a Delta Z calculation for excessive targeted TIC dollars is incorrect, as Aliant's excessive targeted TIC dollar amount is zero. Aliant's supplemental TIC does include the remaining two-thirds of the tandem

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<sup>23</sup> AT&T Comments, Exhibit J.

<sup>24</sup> Aliant, EXG-TIC, Ln. 9, November 26<sup>th</sup> filing.

<sup>25</sup> There will be no effective change to Aliant's November 26, 1997 filing due to a unitary transport restructure amount of zero. However, Aliant will note in D&J, December 17, 1997 filing, that there is no impact due to the unitary transport restructure.

<sup>26</sup> Aliant, EXG-TAN, Ln. 15 and 16, November 26<sup>th</sup> filing.

<sup>27</sup> Aliant, EXG-TIC, Ln. 2, November 26, 1997 filing, represents the entire amount of the tandem switch reallocation, including the two-thirds to be reallocated at a later date; *see also* Aliant, EXG-TIC, Ln. 15, November 26<sup>th</sup> filing.

switch reallocation and the unitary transport restructure.<sup>28</sup> AT&T's claim that Aliant did not include the remaining two-thirds of the tandem switch reallocation and the unitary transport restructure in the supplemental TIC and the calculation of the new recalculated TIC is incorrect. If Aliant were to file AT&T's proposed Table 1, TIC Recalculation,<sup>29</sup> Aliant's results would be identical.

AT&T notes that the impact of Aliant's COE maintenance exogenous cost change is shown as having a positive impact.<sup>30</sup> Prior to the Commission's Access Charge Reform Order, Total COE expenses were apportioned on the basis of Total COE investment. The Commission changed the interstate apportionment only. Interstate COE expenses will now be allocated on associated investment, *i.e.*, switching expenses allocated on switching investment, transmission expenses allocated on transmission investment, and operator expenses allocated on operator investment.

In response to AT&T, the Commission's Access Charge Reform Order does not change the total interstate amount of COE expenses. Therefore, if the allocation to one particular element decreases, the allocation to another element will increase. Secondly, as reported on its ARMIS reports, Aliant's switching expenses are 3.3 times the amount of its transmission expenses, and Aliant's operator maintenance expenses are zero. This is why, due to the change in allocation methodology ordered by the Commission, Aliant's COE maintenance expense exogenous change for Traffic Sensitive and the tandem switch portion of Trunking are positive, while the others are negative.

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<sup>28</sup> The supplemental TIC is equal to EXG-TAN, Sum (Ln. 15, Ln. 16) (see Aliant's November 26, 1997 filing). Aliant's two-thirds of the tandem switch reallocation to be reallocated at a later date. This sum was also used to populate Aliant's CAP-1, Ln. 690 (See Aliant's **December, 18, 1997** filing.)

<sup>29</sup> AT&T Comments at 29.

<sup>30</sup> AT&T Comments at 32, n. 26.

AT&T believes that the Commission should either provide the definition for "primary" and "non-primary" lines or eliminate this distinction altogether.<sup>31</sup> Sprint proposes to eliminate the distinction between primary and non-primary lines. Aliant agrees with AT&T and Sprint that the Commission should eliminate the distinction between primary and non-primary lines in order to prevent customer confusion, customer gaming, and the administrative burden created for the Commission and the LECs.

Aliant urges the Commission to adopt the suggestions contained herein. The aforementioned corrections will be included in Aliant's 1998 Access Charge Reform Tariff Filing on December 17, 1997.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. A. Mazer", followed by a long horizontal flourish.

Robert A. Mazer  
Albert Shuldiner  
Allison S. Yamamoto  
Vinson & Elkins L.L.P.  
1455 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-1008  
(202) 639-6755  
Counsel for Aliant Communications Co.

December 17, 1997

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<sup>31</sup> AT&T Comments at 39.



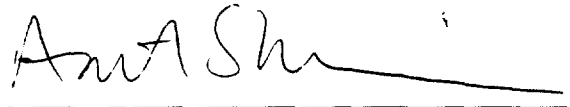
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Reply Comments of Aliant Communications Co. was sent by first-class mail, postage prepaid, this 17th day of December, 1997, to each of the following:

Alan Buzacott  
Regulatory Analyst  
MCI Telecommunications Corporation  
1801 Pennsylvania Ave., N.W.  
Washington, D.C. 20006

Richard Juhnke  
Norina T. Moy  
Sprint Communications Company, L.P.  
1850 M Street, N.W., Suite 1110  
Washington, D.C. 20036

\*Allen Gibson  
AT&T Corporation  
Room 2WC205  
1 Oak Way  
Berkeley Heights, NJ 07922

A handwritten signature in black ink, appearing to read "Alan Shu", is written over a horizontal line.

\*via overnight delivery